United Nations A/C.5/64/SR.4

General Assembly
Sixty-fourth session

Official Records

Distr.: General
9 November 2009

Original: English

Fifth Committee

Summary record of the 4th meeting
Held at Headquarters, New York, on Wednesday, 7 October 2009 at 10 a.m.

Chairman: Mr. Maurer ..... (Switzerland)
Chairman of the Advisory Committee on Administrative and Budgetary Questions: Ms. McLurg

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09-54597 (E)

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The meeting was called to order at 10.05 a.m.

Agenda item 136: Scale of assessments for the apportionment of the expenses of the United Nations (*continued*) (A/C.5/64/L.2)

Draft resolution A/C.5/64/L.2: Scale of assessments for the apportionment of the expenses of the United Nations: requests under Article 19 of the Charter

1. *Draft resolution A/C.5/62/L.2 was adopted.*

2. **Mr. Komba** (Central African Republic) expressed thanks to the Committee on Contributions and the Fifth Committee for considering and approving his country's request for an exemption from the provisions of Article 19 of the Charter, enabling it to maintain its voting rights in the General Assembly until the end of the sixty-fourth session.

Agenda item 129: Financial reports and audited financial statements, and reports of the Board of Auditors (A/64/5/Add.5, A/64/98 and A/64/469)

3. **Mr. Vanker** (Chairman of the Audit Operations Committee), introducing the report of the Board of Auditors on the financial statements of the voluntary funds administered by the United Nations High Commissioner for Refugees (UNHCR) for the year ended 31 December 2008 (A/64/5/Add.5), said that the Board had issued a qualified audit opinion on those statements, reflecting its concern that there was not enough assurance of the validity of certain expenditure incurred through UNHCR implementing partners. As a result, the Board was unable to provide assurance of the completeness, accuracy and validity of that expenditure.

4. As at 29 June 2009, UNHCR had received audit certificates from its implementing partners relating to only 50.5 per cent of the total expenditure incurred through such partners up to the end of 2008. Even the audit certificates which had been received contained qualified audit opinions relating to $29.5 million of expenditure. Moreover, 10 per cent of audit certificates were still outstanding for 2005, 14 per cent for 2006 and 17 per cent for 2007. As part of their fiduciary responsibility, the appropriate officials should address the problem in order to protect the interests of donors, recipients and the Organization.

5. The Board's qualified audit opinion was accompanied by three emphasis of matter paragraphs. The first of the paragraphs related to assessing the value of non-expendable property, a problem raised previously. While some progress had been made, the remaining anomalies risked affecting the accuracy of the amount declared as UNHCR assets. The second of the paragraphs related to the need, also mentioned previously, for UNHCR to identify funding to cover end-of-service and post-retirement liabilities, particularly in view of its dependence on voluntary contributions. The third paragraph raised a new concern: the accuracy of the UNHCR expendable property inventory and the failure to reflect that inventory in the financial statements, as required by the United Nations system accounting standards.

6. Having noted more concerns regarding the financial statements for 2008 than for 2007, the Board hoped to raise the Member States' awareness of the difficulties it had identified, and to break the trend of modified audit reports. The qualified audit opinion and emphasis of matter paragraphs gave a negative reflection of the control environment in UNHCR. In the future, the Board hoped to see a strong expression of commitment to good management.

7. Introducing the report of the Board of Auditors on the implementation of its recommendations relating to the biennium 2006-2007 as at 31 March 2009 (A/64/98), he said that the 22-per-cent decrease in recommendations in the biennium 2006-2007 compared with the number of recommendations in the biennium 2004-2005 had not brought an increase in implementation rates. The rate of full implementation had declined from 52 per cent in 2007 to 47 per cent in 2009. While it could find no obvious explanation, the Board had identified some possible causes and was promoting good practice to improve implementation rates.

8. **Ms. McLurg** (Chairman of the Advisory Committee on Administrative and Budgetary Questions) said that the Advisory Committee shared the concern of the Board of Auditors at the failure of UNHCR implementing partners to supply audit certificates, which were an important internal control mechanism. While acknowledging the often difficult operating environment of UNHCR, the Advisory Committee urged it to address the matters raised by the Board. The Advisory Committee welcomed the Board's intention to monitor UNHCR efforts to implement the International Public Sector Accounting Standards (IPSAS) and to prepare a paper on the requirements for

transition to those Standards. Noting the decrease in the rate of implementation of the Board's recommendations, the Advisory Committee urged the organizations concerned to improve the situation in that regard.

9. **Mr. Elhag** (Sudan), speaking on behalf of the Group of 77 and China, said that the observations and recommendations of the oversight bodies, being crucial to improving the Organization's work, should be implemented in full and in a timely manner. In that connection, the Group concurred with the view of the Advisory Committee that UNHCR should determine how to implement the Board's recommendations on such matters as after service insurance liabilities, International Public Sector Accounting Standards, human resources and project management, management of cash and property, and cases of fraud and presumptive fraud, and that it should address the non-receipt of audit certificates from implementing partners.

10. The Organization should redouble its efforts to implement the Board's recommendations, establish a dedicated follow-up mechanism for that purpose and strengthen inter-agency coordination for the implementation of recommendations regarding more than one organization, and also avoid addressing recommendations only by examining the symptoms of a problem.

11. The Group urged the Board to exercise caution when it came to evaluate the impact of the recommendations of the High-level Panel on United Nations System-wide Coherence in the areas of development, humanitarian assistance and the environment and the enterprise resource planning project on the Organization's work, as there was still no intergovernmental decision on how to proceed with them.

12. **Mr. Råsbrant** (Sweden), speaking on behalf of the European Union; the candidate countries Croatia and the former Yugoslav Republic of Macedonia; the stabilization and association process countries Albania, Montenegro and Serbia; and, in addition, Armenia, Republic of Moldova and Ukraine, expressed concern at the Board's findings in connection with the voluntary funds administered by UNHCR and at the declining rate of implementation of the Board's recommendations overall. While the reasons for failure to implement those recommendations might vary, the Board had pointed out features common to more than one United Nations body that could be addressed transversally, and the tendency to deal with problems on a symptom-based, case-by-case basis. Often, the problems concerned were structural, and should be handled in a more systematic way. Another significant concern was the prospect that most organizations for which the Board conducted audits would be unable to implement IPSAS fully by the established deadline of 1 January 2010. The Board should continue to monitor the IPSAS implementation process.

13. **Ms. Merritt** (United States of America) said that effective oversight, such as that performed by the Board, could only improve the Organization's activities, with recovered resources being reused, inefficient practices being terminated and culpable officials being held accountable. In the case of the Board's findings regarding UNHCR, while her delegation welcomed the substantial increase in donor support for that body, it was concerned that the Board had issued a qualified audit opinion on its financial statements for 2008 and would like to know what remedial action would be taken. It also wished UNHCR to provide an update on its progress in implementing IPSAS. In the case of the Board's assessment of the rate of implementation of its recommendations, her delegation had not found any egregious examples of failure, but wondered what the Member States could do to encourage an improvement.

Agenda item 140: Report on the activities of the Office of Internal Oversight Services (A/64/326 (Part I) and Corr.1 and Add.1 and 2

Agenda item 141: Review of the implementation of General Assembly resolutions 48/218 B, 54/244 and 59/272 (A/64/288)

14. **Ms. Ahlenius** (Under-Secretary-General for Internal Oversight Services), introducing the annual report of the Office of Internal Oversight Services (OIOS) (A/64/326 (Part I) and Corr.1 and Add.1) and pointing out that peacekeeping oversight activities would be described in part II of the report for consideration at the resumed part of the sixty-fourth session, said that OIOS had issued 1,941 recommendations to improve internal controls, accountability mechanisms and organizational efficiency and effectiveness, in 390 reports, during the period from 1 July 2008 to 30 June 2009.

15. The assignments undertaken by OIOS during the reporting period underscored the need for the Organization to develop an accountability framework setting out managers' responsibility for internal control and for ensuring that risks were addressed consistently and systematically. The establishment of risk-based work planning within OIOS did not detract from the need for the Organization's managers to conduct their own risk assessments.

16. Transparency was vital to ensuring that the culture of responsibility and accountability — and therefore trust — envisioned by the General Assembly was established. Accordingly, in order increase transparency and promote understanding of its work, OIOS had made available through its public website the manuals developed and updated by all three of its divisions and had advanced its internal quality assurance programmes. It should be recalled that the General Assembly, in its resolution 59/272, had provided that OIOS reports should be submitted directly to it and that the original versions of OIOS reports not so submitted should be made available to any Member State upon request.

17. **Ms. Tolani** (Director, Office of the Under-Secretary-General for Management), introducing the note by the Secretary-General on the report on the activities of OIOS (A/64/326 (Part I)/Add.2), said that the note had been structured in a manner aimed at clarifying and providing additional information on a number of issues raised in the OIOS report, including risks identified and recommendations made. The Secretariat was fully committed to full and timely implementation of OIOS recommendations, which contributed to improving the Organization's efficiency and effectiveness.

18. **Mr. Walker** (Chairman of the Independent Audit Advisory Committee), introducing the report of the Independent Audit Advisory Committee (IAAC) on its activities for the period from 1 August 2008 to 31 July 2009 (A/64/288), said that the report in question was the first covering a full 12 months of IAAC activity. Although members of IAAC served on a part-time basis, all of the members had attended all of the body's sessions. Operating strictly within its terms of reference, IAAC had issued 7 reports containing 29 recommendations, adopted unanimously in every case. It would continue to monitor their implementation; 13 had already been implemented, and a further 13 were in the process of being implemented.

19. A number of events in 2010 should be borne in mind: the non-renewable five-year term of office of the Under-Secretary-General for Internal Oversight Services would expire in July; the first three-year term of office of three IAAC members would expire in December; and IAAC must prepare for the scheduled review of its terms of reference at the sixty-fifth session of the General Assembly.

20. The annex to the report contained the IAAC observations, comments and recommendations on the effectiveness, efficiency and impact of the audit activities and other oversight functions of the Office of Internal Oversight Services. In order to collect information for its review of OIOS, IAAC had conducted a survey among 191 selected senior staff, and interviewed 19 senior managers. Although the response rate of 45 per cent failed to provide statistical reliability, it compared favourably with previous surveys in the Organization. In its approach, IAAC recognized that decisions of the General Assembly were paramount, and that none of the comments, observations or recommendations in the annex to the report implied a need to change the existing legislative decisions regarding OIOS.

21. On the basis of its research, IAAC had concluded that managers seemed to regard OIOS more as an external than an internal oversight body, perceived OIOS workplans as failing to reflect the priorities of the programmes audited, and took the view that their own comments were inadequately recorded in OIOS findings and recommendations. Accordingly, in the interest of more clearly establishing the role of OIOS, IAAC aimed to define that body's operational independence in terms that were practical and consistent with recognized international standards. The working relationship between OIOS and managers should be constructive, but should not leave OIOS without the appropriate degree of real and perceived operational independence from managers.

22. Operational independence meant leaving OIOS to determine its own workplans and the content of its final reports, to request adequate resources for its work, to select its staff, to undertake its functions free from intervention and with the cooperation of all applicable parties, and to communicate directly with the General Assembly and Secretary-General regarding issues of critical importance to itself or the Organization. The establishment of an internal oversight charter including all the applicable decisions,

policies and procedures regarding the operation of OIOS would improve stakeholders' understanding of the body's role, authority, accountability and reporting relationships.

23. Concerns raised and addressed by IAAC included the timeliness of OIOS reports, the number of recommendations issued and high staff vacancy rates. It should be recalled that, in its report to the General Assembly at its sixty-third session (A/63/737), IAAC had raised the issue of vacancy rates in OIOS and that the General Assembly, in its resolution 63/287, had asked the Secretariat to fill posts rapidly. While the situation had improved, Director-level posts continued to be vacant.

24. While the legislative decisions relating to transparency and facilitating Member States' access to internal oversight reports were in line with best practice, thought should be given to the way in which such reports were made available and the impact that further dissemination, for example, on the Internet, would have on the internal oversight role of OIOS. In that connection, IAAC recommended that the procedure for making reports available and the exercise of discretion by the Under-Secretary-General for Internal Oversight Services in modifying or withholding reports should be formalized and included in the internal oversight charter.

25. **Mr. Elhag** (Sudan), speaking on behalf of the Group of 77 and China, reiterated the Group's support for the operational independence of OIOS and reaffirmed the separate and distinct roles of internal and external oversight mechanisms. The Group appreciated the OIOS initiative to coordinate regularly with other United Nations oversight entities, including the Board of Auditors and the Joint Inspection Unit, in order to avoid overlap in their work and minimize gaps in coverage, as well as the Office's efforts to improve oversight strategies, processes and methodologies. He reiterated the importance of hiring suitably qualified personnel and achieving the goal of equitable geographic distribution.

26. The Group was concerned that some OIOS recommendations contradicted decisions of the General Assembly and would follow up on specific issues with the relevant officials. It was also concerned by the decreased rate of implementation of OIOS recommendations and the number of recommendations — particularly recommendations classified as critical — to which there had been no response during the reporting period. It was of the utmost importance for all departments and entities to cooperate fully with OIOS and to implement its recommendations. The Office, for its part, should engage closely with the Secretariat to resolve differences before raising issues for deliberation by the Fifth Committee. Acknowledging the oversight findings contained in the OIOS report (A/64/326 (Part I)), he said that the Group looked forward to further discussion of the findings on the capital master plan.

27. With respect to the IAAC annual report (A/64/288), the Group also looked forward to a detailed discussion in informal consultations of the suggestions for the enhancement of the efficiency and impact of OIOS oversight through a review of the Office's functions and reporting procedures.

28. **Mr. Råsbrant** (Sweden), speaking on behalf of the European Union; the candidate countries Croatia and the former Yugoslav Republic of Macedonia; the stabilization and association process countries Albania, Montenegro and Serbia; and, in addition, Armenia, Moldova and Ukraine; as well as Liechtenstein on the subject of the OIOS report (A/64/326 (Part 1) and Add.1), said that, while he appreciated the risk-based approach that OIOS used in preparing its workplan, management had primary responsibility for assessing and managing organizational risk. He welcomed OIOS efforts to streamline its standard operating procedure and update its manuals in line with international standards. Noting with satisfaction the positive trend in the implementation of OIOS recommendations, he stressed the importance of their full implementation. The close coordination between OIOS, the Joint Inspection Unit and the Board of Auditors was laudable, as it allowed those bodies to avoid duplication in oversight work and discuss issues of common interest.

29. With respect to the annex to the IAAC report (A/64/288) regarding OIOS, the European Union looked forward to further discussion of the Independent Audit Advisory Committee's observations and recommendations on the evaluation and review of OIOS functions and reporting procedures, bearing in mind the objective of having an effective and efficient internal oversight function.

30. **Mr. McLay** (New Zealand), speaking also on behalf of Australia and Canada, said that OIOS was central to the governance and accountability structure of the United Nations, providing assurances to Member States that resources were being used effectively and efficiently. The three delegations welcomed OIOS initiatives to strengthen internal procedures, most notably the adoption of risk-based workplans in order to focus on high-risk activities. In the absence of an internal control framework, however, OIOS should modify its risk-based approach to include the effect of controls put in place by management, as outlined in paragraph 9 (b) of the IAAC report (A/64/288). Without prejudging the outcome of the ongoing organizational changes within OIOS, he looked forward to receiving, in due course, an assessment of the pilot project for restructuring the Investigations Division.

31. There was merit in all the recommendations of the Independent Audit Advisory Committee regarding OIOS, including setting out a clear definition of operational independence; seeking input from programme managers and staff before and after preparing audit workplans to ensure that programme priorities were taken fully into account before plans were finalized; and establishing an internal oversight charter for OIOS.

32. **Mr. Melrose** (United States of America) said that OIOS, whose establishment had been one of the most important management reform measures of the previous 25 years, would continue to play a vital role in enhancing the accountability and effectiveness of the United Nations. He commended OIOS for having identified some $49 million in recommended savings and efficiency gains and urged the Secretary-General to take action to realize the savings not yet recovered. Operational independence and adequate resources were crucial in allowing OIOS to perform its core functions free of any influence from the bodies or officials it oversaw.

33. The OIOS annual report (A/64/326 (Part 1) and Corr.1 and Add.1) recorded significant internal audit, monitoring, inspection, evaluation and investigation output. It was disappointing, however, to see frequent references by the Board of Auditors and others to the inability of OIOS to complete its audit plans on time. Since one of the main reasons appeared to be the large number of vacant audit posts, he requested an update on OIOS efforts to address that situation.

34. The Secretary-General's comments on the annual report (A/64/326 (Part 1)/Add.2) seemed both comprehensive and thoughtful. Nevertheless, his delegation was concerned by their apparently defensive, if not adversarial, tone and encouraged both parties to develop a more cooperative relationship.

35. Turning to the report of IAAC for August 2008-July 2009 (A/64/288), he welcomed the recommendations it contained on the operational independence of OIOS and the Office's treatment of management comments in audit reports.

36. The full access to OIOS reports granted to Member States under General Assembly resolution 59/272 had reinforced the principles of independent and transparent internal oversight by allowing Member States to exercise more effectively their fiduciary responsibility to oversee the activities of the Organization. He looked forward to discussing the issues raised by IAAC and the question of how to maintain and enhance the transparency that had been achieved.

37. He was dismayed by the continuing vacancies in OIOS at the D-2 level, and urged the Secretary-General to work with OIOS to fill them expeditiously.

38. **Mr. Sial** (Pakistan), said that his delegation attached great importance to the internal and external oversight functions of the Organization given the substantial sums that Member States paid towards its regular and peacekeeping budgets.

39. The issue of how OIOS staff were appointed had been settled in paragraph 19 of resolution 54/244. As chief administrative officer, the Secretary-General should continue to recruit and appoint all United Nations staff. In view of the specialized nature of OIOS, however, that Office might be associated with the staff selection process, although the Secretary-General should remain the final authority.

40. In its past resolutions on OIOS, the General Assembly had explicitly provided for the operational independence of that Office, which remained under the authority of the Secretary-General in accordance with Article 97 of the Charter. Decisions on how to apply the provisions of those resolutions and the Charter were an internal matter between the Secretary-General and the Under-Secretary-General for Internal Oversight. Any additional suggestions from the Fifth

Committee on that count would amount to micromanagement.

41. The Committee should review the Office's reporting procedure to provide clarity and consistency, as it appeared unclear from General Assembly resolution 59/272 whether OIOS was to submit its reports directly to the General Assembly or to the Secretary-General for transmission to the Assembly. In his delegation's view, all finalized reports should be submitted to the General Assembly for the sake of transparency. All other reports should remain internal: allowing access to them would amount to interference in Secretariat matters. Acknowledging the information in the OIOS report (A/64/326 (Part 1) and Corr.1 and Add.1) on improving the system of implementation of the Office's recommendations, he asked the Secretary-General to provide an update on the establishment of a follow-up mechanism.

42. While OIOS required adequate resources to perform its oversight function effectively it should not be at the expense of other activities, and every effort must be made to use resources frugally.

43. It was a matter of great concern that the Organization, with a budget envelope in the billions of dollars, still lacked an accountability framework. Quite apart from the internal oversight function, a system must be put in place to ensure that programme managers were held accountable.

44. Lastly, he called on OIOS in future to comply strictly with General Assembly resolutions regarding the format and required elements of reports.

45. **Mr. Lim** (Singapore) said that internal and external oversight entities, which worked in complementary fashion, should continue to be clearly distinguished. The increasing volume and complexity of United Nations activities, particularly in peacekeeping, and the need to avoid the kind of abuses that had occurred with the oil-for-food programme, had necessitated stronger controls and oversight. OIOS had played a valuable role in improving performance. Under the new system of administration of justice at the United Nations, all parts of the Organization, including OIOS itself, would be accountable. The Office must therefore conduct its investigations fairly and transparently. While some disagreements between OIOS and management were inevitable, both sides should endeavour, together with the Member States, to establish smooth working relations for the greater good of the Organization.

46. Turning to the IAAC report (A/64/288), he expressed concern at management's low rate of implementation of the recommendations of United Nations oversight bodies. Noting the assurances from the Department of Management that the implementation rate would improve by the end of the year, he emphasized the importance of giving priority to those recommendations that would most benefit operations.

47. He looked forward to examining in detail the Independent Audit Advisory Committee's recommendations on how to guarantee the independence of OIOS, including through an internal oversight charter. There was merit in the IAAC recommendation that senior managers' comments on OIOS reports should be included as annexes, so that the reports would be perceived as unbiased and accurate. While no system as large and complex as the United Nations could be perfect, everything possible must be done to entrench a culture of accountability, transparency and credibility. Internal oversight bodies played a critical role in that endeavour.

48. **Mr. Prokhorov** (Russian Federation) said that the increasingly complex mandates of the United Nations demanded a robust system of accountability and good governance. The internal oversight bodies were an integral part of that system, which ensured that Member States' decisions were properly implemented. His delegation would therefore pay particular attention during the Committee's deliberations to the level of compliance with internal oversight recommendations and to the relationship between the Secretariat and the internal oversight bodies. It would also be important to reach consensus on the definition of operational independence.

49. He assumed that the Committee's decisions on internal oversight would not entail any significant increase in resource requirements. To that end, it was essential to avoid duplication of existing oversight functions.

50. **Mr. Gürber** (Switzerland), speaking also on behalf of Liechtenstein regarding the annex to the IAAC report (A/64/288), said that it was essential to continue strengthening OIOS in order to reduce risk within the Organization and ensure that mandates were implemented more effectively and efficiently. The

Office's function could be strengthened by clarifying its mandate, most notably through the internal oversight charter recommended by IAAC. Most other United Nations entities had already benefited from such charters. The Independent Audit Advisory Committee had very usefully drawn on international best practice to clarify the meaning and scope of the term "operational independence", which was a prerequisite for proper internal oversight.

51. The General Assembly in its resolution 48/218 B had reaffirmed the distinct roles of internal and external oversight, a distinction that had become blurred for OIOS, as illustrated by the current practice of making OIOS reports available to Member States upon their request. Unfortunately, such reports were appearing on the Internet before management had had an opportunity to react to their content, making it difficult for OIOS to fulfil its role of assisting the Secretary-General with his internal oversight responsibilities. He therefore agreed with IAAC that the protocol for making OIOS reports available should be clarified. There should under no circumstances, however, be any challenge to the principle of transparency or curtailment of the prerogative of the Under-Secretary-General for Internal Oversight Services to bring oversight reports to the attention of the General Assembly if she deemed it necessary.

52. Lastly, his delegation was concerned that no tangible progress had been made in filling vacant posts in OIOS, including at the Director level, despite unambiguous guidance from the General Assembly.

53. **Mr. Walker** (Chairman of the Independent Audit Advisory Committee) said that he would address in informal consultations the points raised concerning the IAAC report (A/64/288).

The meeting rose at 12.10 p.m.